

Message Text

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ACTION EUR-12

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TO SECSTATE WASH DC 8079

UNCLAS SECTION 01 OF 02 OECD PARIS 19393

PASS COMMERCE

E.O. 11652: N/A

TAGS: EIND, OECD

SUBJECT: WORKING PARTY ON IRON AND STEEL MEETING,
JULY 8-9

REF: STATE 159095

SUMMARY: WP ON IRON AND STEEL INDUSTRY MET JULY 8-9 TO REVIEW SECRETARIAT REPORTS ON THE IMPACT OF ENERGY/ RAW MATERIAL PRICES AND AVAILABILITY ON THE IRON & STEEL INDUSTRY. DRAFT REPORTS WILL BE REVISED TO REFLECT COMMENTS MADE DURING THE MEETING, AND A SECOND DRAFT WILL BE PRESENTED TO THE WP AT ITS NEXT MEETING SCHEDULED FOR NOVEMBER 6-7. END SUMMARY.

1. EXTENSION OF THE MANDATE AND TERMS OF REFERENCE OF THE AD HOC WORKING PARTY - DSTI/IND/IS/75.4

WP TOOK NOTE OF THE MANDATE AS AMENDED BY THE INDUSTRY COMMITTEE AT ITS MARCH 1975 MEETING.

2. EXAMINATION OF DRAFT REPORTS

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A) ENERGY IMPLICATIONS FOR THE IRON AND STEEL
INDUSTRY - DSTI/IND/75.5

THE WP AGREED TO RAPPORTEUR PECO'S SUGGESTION THAT SECRETARIAT CIRCULATE A SIMPLE QUESTIONNAIRE TO OBTAIN FROM MEMBER COUNTRIES THEIR ASSUMPTIONS REGARDING PRODUCTION IN 1980-85 RATHER THAN ACTUAL FORECASTS. REPLIES ARE EXPECTED EARLY SEPTEMBER, AND REDRAFT WILL BE PREPARED FOR CONSIDERATION AT NEXT MEETING. ALL MEMBERS CRITICIZED THE USE OF OBSOLETE DATA BASED ON IISI 1972 REPORT ENTITLED "PROJECTION 85". CANADIAN DEL NOTED DIFFICULTIES INHERENT IN FORECASTING, AND OBSERVED THAT A YEAR AGO WP PREDICTED A SHORTFALL VIS-A-VIS DEMAND; BUT IN REALITY, COMPANIES ARE HOLDING BACK ON INVESTMENT. CHAIRMAN AGREED THAT PRESENT RECESSION AND STEEL PRODUCTION FIGURES MAY BE HIDING A SIGNIFICANT LONG-TERM TREND. SECRETARIAT STATED THAT DESPITE FORECASTING DIFFICULTIES, IC IS ABOUT TO BEGIN A LONGER-TERM STUDY PROPOSED BY JAPANESE DEL ON FUTURE INDUSTRIAL STRUCTURES. TURNING TO THE QUESTION OF ENERGY USE AND SUPPLY, CHAIRMAN SAID AS SHORTAGES APPARENTLY DO NOT EXIST, SUPPLY IS NOT A PROBLEM; PRICE IS THE CENTRAL ISSUE. GERMAN DEL NOTED THAT IN CASE OF COKING COAL, IN ADDITION TO PRICE THERE ARE PROBLEMS OF SUPPLY FROM THE US AND AUSTRALIA. REDRAFT OF PECO'S REPORT WILL REFLECT ALL OF CHANGES SUGGESTED BY US DEL (SHINN) PER INSTRUCTIONS REFTTEL. PECO POINTED OUT, IN PARTICULAR, THAT HE HAD NOT INTENDED TO IMPLY THAT COKE AND COKING COAL SHOULD BE ACTUALLY RECLASSIFIED AS A PRIORITY RAW MATERIAL RATHER THAN A SOURCE OF HEAT.

B) DRAFT REPORT ON SUPPLY OF IRON ORE -
DSTI/IND/IS/75.7

SECRETARIAT AGREED WITH ALL OF POINTS RAISED BY US DEL, AND REDRAFTED TEXT WILL REFLECT THESE CHANGES. IN PARTICULAR, SECRETARIAT AGREED TO DELETE PARA 16 AND REPLACE IT WITH SEPARATE AMPLIFIED SECTION ANALYZING IMPACT OF THE OIEC (ORGANIZATION OF IRON EXPORTING COUNTRIES). AUSTRALIAN DEL AGREED TO PREPARE THIS SECTION.

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TION. RE US REMARKS ON PAGE 6 PARA 7, CANADIAN DEL AND US INDUSTRY REPS AGREED TO CHAIRMAN'S SUGGESTION THAT THEY PREPARE BRIEF EXPLANATORY REPORT ON PRE-REDUCTION PROCESS FOR INFORMATION OF COMMITTEE BY END AUGUST OR EARLY SEPTEMBER.

IN CONCLUDING REMARKS CHAIRMAN STATED THAT 1) LOW IRON ORE PRICES MAY HAVE DISCOURAGED NEW INVESTMENTS;

2) ALTHOUGH WELL RECEIVED BY THE WP, THE REPORT REQUIRED SOME AMENDMENT AND AMPLIFICATION; 3) CONCLUSIONS SHOULD BE CONFINED TO "HARD" FACTUAL INFORMATION BASED ON PRICES, AND NOT EXTEND TO DECLARATIONS CONCERNING THE ADEQUACY OF PRICE LEVELS. CANADIAN DELEGATION SAID

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THE REPORT SHOULD BE FURTHER AMPLIFIED BEFORE ANY CONCLUSIONS COULD BE DISCUSSED, AND AGREED TO PROVIDE A TECHNICO-ECONOMIC PAPER TO BE INSERTED IN THE REPORT. THE CANADIAN AND AUSTRALIAN CONTRIBUTIONS ARE TO REACH THE SECRETARIAT BY EARLY SEPTEMBER. (FYI: IN SUBSEQUENT TALKS WITH WP CHAIRMAN JENKINS (UK) AND SECRETARIAT, US INDUSTRY ADVISER WAS INVITED TO PROVIDE SECRETARIAT ANY ADDITIONAL WRITTEN CONTRIBUTIONS, CHANGES, ETC. US MAY WISH TO MAKE TO DRAFT REPORT. THUS, IF DEPARTMENT WISHES TO MAKE ANY PROPOSALS IN ADDITION TO THOSE CONTAINED REFTTEL, PLEASE ADVISE MISSION ASAP. SECRETARIAT WILL FORWARD SAME TO PECO. END FYI.)

3. INFORMATION REQUESTED BY WORKING PARTY NO.6 OF THE COUNCIL ON SHIPBUILDING - DSTI/IND/75.10

ACCORDING TO ITS MANDATE, WP6 HAS UNDERTAKEN A SURVEY OF LONG-TERM WORLD DEMAND FOR SHIPBUILDING. AS IRON ORE AND BAUXITE COMPRISE TWO OF THE FIVE MAJOR SEABORN DRY CARGOES, WP6 REQUESTED THE IRON AND STEEL AND ALUMINUM WORKING PARTIES TO ASSIST WP6 IN EVALUATING THE LONG-TERM IN IRON ORE AND BAUXITE. WP MEMBERS FELT

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IT WOULD BE DIFFICULT FOR THEM TO FORECAST FUTURE SHIPPING REQUIREMENTS (SIZE OF SHIPS, TRADE PATTERNS, ETC.). THUS SECRETARIAT WILL ATTEMPT TO PREPARE A DRAFT REPORT WITH THE ASSISTANCE OF CANADA, AUSTRALIA AND SWEDEN.

4. NEXT MEETING

THE WP WILL MEET NOVEMBER 6-7, 1975 TO REVIEW THE TWO REVISED REPORTS, AS WELL AS THE DRAFT REPORT ON CONDITIONS OF SUPPLY AND SCRAP, DSTI/IND/IS/75.6. (THIS REPORT WAS DELETED FROM THE AGENDA BECAUSE OF LATE CIRCULATION.)

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